

Questions for the Record from Chairman Davis to Mr. Campbell
Pryde

**Hearing on the Use of Technology to Better Target Benefits
and Eliminate Waste, Fraud, and Abuse**

April 19, 2012

Ways and Means Subcommittee on Human Resources

Mr. Pryde, your testimony was helpful to understand XML and now XBRL. What would you have recommended as a solution 10 years ago, and how does that differ from what you are suggesting today? What do you think the solution will be 10 years from now? Is the work of setting standards ever done and if not, why should we even start?

XBRL was first conceived of ten years ago by a group of certified public accountants who considered the use of XML for financial information reporting and realized that, on its own, XML was not a viable solution. XBRL was developed to add the structure that is critical to creating a workable solution to report financial and performance-related information. In ten years, the information reported and definitions used for reporting could very likely differ greatly from the standards used today, and the type of information that policymakers, regulators, analysts and others want conveyed will certainly change, but if XBRL is used, the underlying data standard will easily adapt with those changes. XBRL is flexible enough that it can be adapted to changes in reporting requirements, but it maintains the same underlying structure. The primary advantage of using XBRL is that the software, expertise and infrastructure used today to report data will undoubtedly still be applicable ten years from now for different reporting needs.

As new technologies evolve to further define the meaning of data, there may be a need to move data from XBRL to new data formats not available today. With XBRL already in place, the hard work of moving from a paper-based storage mechanism to the next evolution of data standards will be complete. XBRL can provide immediate benefits today and also provide an easy transition path to switch to other formats in the future. Given that XBRL is a free and open, international data standard, the compatibility and comparability of data will only be further enhanced as more implementations of XBRL for government or business reporting are put in place.

Mr. Pryde, during the hearing you began to respond to the criticism that a standard like XBRL is too complicated and expensive to implement. Could you please expand on your previous points?

Thank you for following up on this important issue. XBRL is not too complicated and expensive to implement if used for the right purposes. As I explained during the hearing, XBRL would not be the right standard to use for things such as biometric information. In the same way that you would not use a standardized shipping container to move crude oil or coal, or an oil tanker to move consumer products, there is an appropriate standard to use for different types of data.

XBRL is the best and most appropriate standard to use for anything financial or program performance-related. The technical specification for XBRL is designed specifically for those uses and while it may appear somewhat more complex than XML, therein lies the benefit. A simpler standard like XML can be everything to everyone which essentially means it can be transformed into all kinds of applications that produce data that is **not** compatible and **not** comparable. XBRL's more rigorous technical requirements mean that the data it produces is truly a standard and an aid to those who wish to track performance and compare metrics across time periods. That's how XBRL is used today – to analyze thousands of public companies' financial performance and to measure the performance of government programs as it does in the standardized business reporting programs in Australia and the Netherlands. These latter

programs report on funds spent and performance of programs in those countries – all in XBRL. For the US government, a single government-wide taxonomy could be created, leveraging much of the work already done and in use for business reporting.